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MORRISON & FOERSTER LLP

ATTORNEYS AT LAW

SAN FRANCISCO
LOS ANGELES
SACRAMENTO
ORANGE COUNTY
PALO ALTO
WALNUT CREEK
DENVER

2000 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20006-1888
TELEPHONE (202) 887-1500
TELEFACSIMILE (202) 887-0763

NEW YORK
WASHINGTON, D.C.
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 5, 1998

EX PARTE OR LATE FILED

Writer's Direct Dial Number
(202) 887-1510

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

Re: **EX PARTE**
In the Matter of Telephone Number Portability, CC Docket 95-116

Dear Ms. Salas:

Pursuant to Section 1.1206 of the Federal Communications Commission's ("Commission") rules, 47 C.F.R. § 1.1206, this letter will notify you that representatives of Lockheed Martin IMS ("LMIMS"), Joseph Franlin, Audrey Herrel, Robert Poulin, Sean Corcoran, and Larry Vagnoni, met on Friday, October 2, 1998 with representatives of the Common Carrier Bureau, including; Lloyd Collier, Josephine Simmons, Gail Tischer, Kurt Schroeder, Les Selzer, Kris Monteith, Lenworth Smith, and Rhonda Lein. Also participating in the meeting by teleconference were Allan Hasselwander from the North American Numbering Council, and representatives the regional limited liability companies ("LLCs"), including; Anne LaLena, Ken Prohoniak, Pam Connell, Tim Becker, Neil Knight, Dennis Davis, Jim Joerger, B. Higgins, Don Edwards, Gene Saulmon, Roger Marshall, and Hoke Knox.

During the meeting, LMIMS representatives provided a general overview of the ongoing cost recovery discussions between LMIMS, the LLCs in the seven local number portability regions, and the industry at large. Meeting participants also discussed a true-up mechanism for transition from the interim cost recovery procedures to an end-user allocation, as well as, general billing and collection terms and policies. The attached documents were presented by LMIMS and discussed at the meeting.

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, an original and two copies of this letter are being submitted to the Office of the Secretary for inclusion in the public record.

No. of Copies rec'd 0+2
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Please direct any questions or concerns to the undersigned.

Sincerely,

Cheryl A. Tritt /342

Cheryl A. Tritt
Counsel for Lockheed Martin IMS

Attachments

cc: Lloyd Collier
Josephine Simmons
Gail Tischer
Kurt Schroeder
Les Selzer
Kris Monteith
[redacted]

DRAFT

PROPOSED COLLECTION POLICY

10/2/98

SCHEDULE for PAST DUE BILLS

Days Past Due	Amount	Action
3	>$50k	Follow-up Call to Carrier
10	>$5k	Follow-up Call to Carrier
20	All	Send Letter to Carrier
40	All	Escalate: Send a Certified Letter to the Carrier, a List of Delinquent Carriers to NANC, the FCC for 208 Process, and to Collection Agency[1]

All late payments are subject to a 1.25% interest charge per month.

[1] Any overdue accounts referred to a collection agency will be written off, including bankruptcies. Any amounts collected net of collection agency costs will be credited to the carrier.

DRAFT

TRUE-UP

INTERIM ALLOCATION to END-USER ALLOCATON

10/2/98

LM has reviewed the Interim Allocation to End-User Allocation True-up mechanism proposed by WorldCom and agrees with the following points:

- Collect end-user revenue data from all carriers.
- Calculate each carrier's regional allocation based on the proportionate amount of end-user revenue in each region.
- Use the regional end-user revenue allocation as the basis for calculating the amount of shared costs to be credited to carriers who have begun paying LNP shared costs or to be billed to carriers who have not begun paying LNP shared costs.
- Use each region's initial LNP billing month as the effective start date for calculating the amount of True-up credits and bill amounts.

It is LM's preference to issue carrier's True-up credits or bills on a one-time invoice basis to minimize the administrative costs that would be incurred from invoicing on a periodic basis over the remaining life of the contract.

LM would like to propose using 1998 end-user revenue data as the basis for the True-up from an Interim Allocator to an End-User Revenue Allocator as this would result in carrier allocations more closely aligned to actual market share.

DRAFT

PROPOSED COLLECTION POLICY

10/2/98

LM has been working with the industry to implement the requirements of the Cost Recovery Order to establish billing and collections mechanisms that adhere to both the letter and the spirit of that order while ensuring that LM is able to collect sufficient revenue in a timely manner as is consistent with the contracts in place with the LLCs.

To this end, LM has proposed a Collection Policy which establishes parameters for handling delinquent service providers based on the number of days and the amount past due. Collection actions commence at 3 days past due for amounts > $50k and 10 days past due for amounts > $ 5k at which time Service Providers will be contacted as a reminder that their payment has not been received. All Service Providers with payments of any amount that are 20 days past due, will be sent a letter requesting payment of past due amounts. Service Providers with payments of any amount that are 40 days past due, will be sent a certified letter requesting payment of past due amounts and a list of these Service Providers will be sent to NANC, the FCC and a collection agency .

Any past due accounts referred to a collection agency will be written off, including bankruptcies. Any amounts collected, net of the collection agency costs, will be credited to the Service Providers. Late payments will be subject to a 1.25% interest charge per month, or, if lower, the maximum rate permitted by law.

True-Up Mechanism for Shared NPAC Costs

Contribution of Anne F. La Lena
MCI WorldCom
Date: September 17, 1998
Version 2

TO: LLC Colleagues

FROM: Anne La Lena, MCI WorldCom

The following model is proposed for your discussion and consideration with the goal of defining a true-up model to be given by LLCs to Lockheed Martin IMS as permitted by ***The Third Report and Order***:
The Western Region LLC has adopted this proposal with the question remaining to be answered, and that is regarding the length of time for payments or credits resulting from the true-up. For easy reference, I have put in bold my revision to the proposal.

The Starting Point

Paragraph 117: "We are aware that some carriers have already begun paying their regional database administrators based on temporary agreements negotiated by the regional LLCs. We will permit, but not require, each regional administrator and LLC to adjust prospectively through a reasonable true-up mechanism in the future bills of those carriers that participated in such agreements so that the shared costs each such carrier will have contributed approaches what those carriers would have paid had an end-user telecommunications revenue allocator been in place when carriers started paying the regional administrators. Permitting the regional administrators and LLCs to perform such true-ups ensures that costs are recovered from carriers in a manner consistent with our rules, while accounting for the period prior to the effective date of our rules and recognizing that agreements may have been reasonable mechanisms to recover regional database costs on a temporary basis pending this *Third Report and Order*."

Underlying premises:
1. LLCs have been given permission to develop true-up mechanisms that are reasonable.
2. A "reasonable" mechanism must be competitively neutral and must not give one carrier or a class of carriers a competitive advantage in the marketplace.
3. "...adjusted prospectively...in the future bills..." strongly suggests a credit, not a refund, be used.
4. It was known that "all" carriers would be expected to pay toward LNP since the Telecom Act was signed Feb. 1996 requiring "cost of ...number portability shall be borne by all carriers in a competitively neutral basis as determined by the Commission."

The Proposal:

First, the true-up mechanism should be applied by LM using the information derived from its end-user revenue data request to all carriers, subsequent collection and calculation of proportionate amounts to be paid. To do otherwise, say only apply the end-user revenues formula to the original paying group of carriers or to the group of carriers who have signed User Agreements to determine true-up, would be competitively discriminatory as the early-paying or signed-User Agreement group of carriers would be financially penalized to the benefit of other carriers. It is not competitively neutral to make a subgroup of carriers pay for LNP longer than the rest of the carriers in the industry. In fact, such an action would make the "cost-causer" pay, and the Commission has expressly stated that it is indeed departing from that policy as Congress has ordained "all carriers" must pay in a competitively neutral way.

Second, the true-up mechanism should also be based on LM's calculation of the universe of "all carriers" which should have been paying since the beginning of the payment period (which may differ from LLC to LLC). **What must be decided is the length of time in which the adjustments such as the credits or increased payments (such as a surcharge for example) are to be made.**

Discussion and Example

If the total universe of carriers is 100, and only 5 carriers have been paying in various amounts, LM would calculate the shared NPAC costs based on 100 carrriers over a span of 5 years as well as calculate what has already been paid by the 5 carriers. Please note small numbers were used for ease of calculation and do not reflect actual bills or NPAC costs.

Let's say the cost of the contract is $60,000 over its life of 5 years, with an annual total payment of $12,000 and a monthly payment of $1,000 for shared NPAC costs. And in this particular LLC 5 carriers have been paying the monthly $1,000 cost for the past 6 months for a $6,000 total payment to LM.

Carrier A pays	$500.00	Total:	$3,000
Carrier B pays	$300.00	Total:	$1,800
Carrier C pays	$100.00	Total:	$600
Carrier D pays	$50.00	Total:	$300
Carrier E pays	$50.00	Total:	$300

TOTAL: **$1,000.00 per month or $6,000 in total for the last 6 months.**

LM would calculate the amount paid by all carriers in the region, meaning the 100 carriers known at that time, from the start of the contract and/or billing period.

Based on 100 carriers paying into LNP over the contract period, LM finds that Carrier A should have paid a total of $1,800, Carrier B -- $2,000, Carrier C -- $600, Carrier D --$50 and Carrier E -- $50. This equates to $4,500 that should have been paid by those 5 carriers instead of $6,000 for the 6-month period.

In that case for:

Carrier A: Lockheed would credit $1,200, or $22.22 per month of the 54-month contract.
Carrier B: Lockheed would add $200, or $3.70 per month of the 54-month contract.
Carrier C: Locheed would not make any changes.
Carrier D: Lockheed would credit $250 or $4.62 per month.
Carrier E: Lockheed would credit $250 or $4.62 per month.

Lockheed would take that $1,500 credit to the original 5 carriers and assess it on the 95 carriers for the rest of the 54-month contract via $1,500 ÷ 54 months = $27.77 per month. The $27.77 monthly amount would then be assessed individually on the 95 carriers proportionately under the end-user formula.

Please note the true-up formula may as necessary be used in regards to 2.0 and other SOWs such as IVR.

	Lockheed Martin Proposed LNP B&C Terms	*NANPA*[1]	*Universal Service Fund*[2]	*TRS*[2]
Invoice rate	110% invoice rate in the first year; adjusted annually based on previous years collection rate	110% invoice rate	Administrative cost subsidized by $4B fund; administrative cost incorporated into fund at 110%	Administrative cost subsidized by $ 50M fund; Invoice rate set at 110% of projected fund
Reconciliation of over collection	Credit back over-collection beginning in following year	Deducted from following years total fees	Balance carries forward to following year	Balance carries forward to following year
Cost Model	Usage based	Fixed	Fixed	Fixed
Invoice frequency	Monthly in arrears for carriers contributing greater than $1200; annual for carriers contributing less than $1200	Monthly for carriers contributing greater than $1200; annual for carriers contributing less than $1200	Quarterly in advance	Quarterly in advance
Billing Scope	Regional	National	National	National

(1) John Ricker, NBANC
(2) Jim Lande, Industry Analysis Division with the FCC

LNP Cost Recovery Proposal
Billing and Collection Terms for NPAC/SMS Services

October 5, 1998

Key Terms:

1) NPAC/SMS service fees will be calculated and apportioned by the region in which they are incurred.
2) NPAC/SMS service fees will be calculated based on the terms and conditions of the NPAC/SMS Master and User Agreements.
3) For purposes of apportionment NPAC/SMS service fees will be classified as follows:
   a) Shared Costs - service fees that are common and funded by all service providers; there are fixed shared costs (i.e. flat firm fees) and variable shared costs (i.e. usage based).
   b) Carrier Specific Costs - service fees that are unique and funded by individual service providers.
4) NPAC/SMS "Shared Costs" will be apportioned and invoiced across all regional service providers as follows:
   a) Shared costs will be apportioned based on each service provider's percentage share of regional end user revenues from the previous calendar year. Wholesalers (i.e. service providers without end user revenue will be invoiced a minimum of $100 per year of NPAC/SMS shared costs.
   b) Shared costs, for the initial billing year, will be invoiced to all service providers at a rate of 110%. The invoice rate (i.e. 110%) will be adjusted annually based on the previous year's collection rate; i.e. the invoice rate in year 2 will be equal to the invoice rate in year 1 that would have achieved 100% collections from all service providers in year 1 based on linear extrapolation (e.g. if 110% invoice rate in year 1 resulted in 101% collection rate, the invoice rate in year 2 would be 110/101 x 100% = 108.9%).
   c) Service providers whose distribution of fixed shared costs are equal to or less than $1,200 will be invoiced their full annual distribution of these shared costs in the first monthly billing cycle of the year.
   d) Service providers whose distribution of fixed shared costs are greater than $1,200 have the option of paying their full annual distribution of these shared costs in the first monthly billing cycle of the year or paying for these shared costs on a monthly basis.
   e) In the case when variable shared costs exceed fixed shared costs, the amount in excess of the fixed shared costs (i.e. an overage) will be apportioned and invoiced as follows:

i) Service providers whose share of fixed shared costs are equal to or less than $1,200 (as per 4c) will be invoiced their cumulative share of any year-to-date overage in the last monthly billing cycle of a fiscal quarter

ii) Service providers whose share of fixed shared costs are greater than $1,200 (as per 4d) will be invoiced their full share of any year-to-date overage on a monthly basis.

f) In the event the invoice rate results in an under or over collection of the total shared costs for a billing year, the under or over collection plus interest will be applied as a credit or debit in the following billing year. The credit or debit will be apportioned based on each service provider's percentage share of regional end user revenues from the year preceding the billing year. The under or over collection of the total shared costs will be calculated upon completion of the collections policy for a given billing year, at which time a corresponding credit or debit will be issued in the current billing year. Interest will be calculated based on the monthly under or over collection of shared costs.

5) NPAC/SMS "Carrier Specific Costs" will be invoiced directly to the requesting carrier.

6) The collection policy and terms for shared and carrier specific costs are as defined in the Collection Policy proposal submitted to the LLCs on September 3, 1998.